

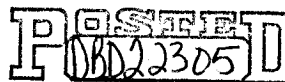
C. DUKES SCOTT  
EXECUTIVE DIRECTOR

P.O. Box 11263  
Columbia, S.C. 29211



Phone: (803) 737-0800  
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DAN F. ARNETT  
CHIEF OF STAFF



SC PUBLIC SERVICE  
COMMISSION

2005 FEB 23 PM 2:22

RECEIVED

February 23, 2005

Mr. Charles L.A. Terreni  
Chief Clerk/Administrator  
South Carolina Public Service Commission  
101 Executive Center Dr., Suite 100  
Columbia, SC 29210

Re: Carolina Water Service, Inc. – Application for Adjustment of Rates and  
Charges and Modification of Certain Terms and Conditions for the  
Provision of Water and Sewer Service  
Docket No. 2004-357-WS

Dear Charles:

For your docket, please find enclosed a copy of the Office of Regulatory Staff's  
First Continuing Data Request which was served on counsel for Carolina Water Service,  
Inc. Also, if you would please date stamp the extra copy enclosed and return it to me via  
our courier.

Please let me know if you have any questions.

Sincerely,

C. Lessie Hammonds

CLH/cc

cc: John M.S. Hoefer, Esquire  
Enclosures

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**

**DOCKET NO. 2004- 357 -W/S**

IN RE: Application of Carolina Water )  
Service, Inc. for adjustment of rates )  
and charges and modification of )  
certain terms and conditions for the )  
provision of water and sewer )  
services. )  

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**Office of Regulatory Staff's First**  
**Continuing Data Request**

RECEIVED  
2005 FEB 23 PM 2:22  
SC PUBLIC SERVICE  
COMMISSION

**TO: JOHN M. S. HOEFER, ESQUIRE, ATTORNEY FOR THE APPLICANT,**  
**CAROLINA WATER SERVICE, INC. ("CWS")**

**INSTRUCTIONS**

The Office of Regulatory Staff hereby requests, pursuant to 26 S.C. Code Regs. 103-853 (Supp. 2003), that the Applicant answer the following data requests in writing and under oath within ten (10) days after service at the Office of Regulatory Staff, 1441 Main Street, Suite 300, Columbia, South Carolina, 29201. If you are unable to respond to any of the data requests, or part or parts thereof, please specify the reason for your inability to respond and state what other knowledge or information you have concerning the unanswered portion.

As used in these data requests, "identify" means, when asked to identify a person, to provide the full name, title, and current address and telephone number of the person. When asked to identify a document, "identify" means to provide a full and detailed description of the document and the name and address of the person who has custody of the document. In lieu of providing a full and detailed description of a document, you may attach to your responses a copy of the document and identify the person who has

custody of it. When the word "document" is used herein, it means any written, printed, typed, graphic, photographic, or electronic matter of any kind or nature and includes, but is not limited to, statements, contracts, agreements, reports, opinions, graphs, books, records, letters, correspondence, notes, notebooks, minutes, diaries, memoranda, transcripts, photographs, pictures, photomicrographs, prints, negatives, motion pictures, sketches, drawings, publications, and tape recordings. As used in this data request, "address" means mailing address and business address.

Wherever in this data request a masculine pronoun or possessive adjective appears, it refers to both males and females in accordance with traditional English usage.

IT IS HEREIN REQUESTED:

- A. That all information shall be provided to the undersigned in the format as requested.
- B. That all responses to the requests below be labeled using the same numbers as used herein.
- C. That each of the enumerated data requests be reproduced at the beginning of each of the responses.
- D. That if the requested information is found in other places or in other exhibits, reference not be made to those, but instead, that the information be reproduced and placed in the data request in the appropriate sequence.
- E. That any inquiries or communications relating to questions concerning clarifications of the data requested below be directed to the undersigned.
- F. That all exhibits be reduced to 8 ½" x 11" format, where practical.
- G. That the requested information be bound in ring binders (loose leaf notebooks) or otherwise suitably bound.
- H. That in addition to the signature and verification at the close of the Company's responses, the Company witness(es) or employee(s) responsible for the information contained in each response be indicated.

- I. That the Company provide to the Office of Regulatory Staff two copies of the responses to this data request as soon as possible but no later than ten (10) days after service thereof.
- J. If the response to any data request is that the information requested is not currently available, please state when the information requested will be available.
- K. This data request shall be deemed to be continuing so as to require the Company to supplement or amend its responses as any additional information becomes available.

### QUESTIONS

- 1.1 Describe any construction and/or upgrades proposed or taking place at Carolina Water Service, Inc. which is a driving reason for the requested rate increase.
- 1.2 Page 2, Paragraph 4 of the Application refers to a DHEC regulatory requirement in R.61-58.7.F.8. Is CWS planning to require all of its water customers to conduct cross connection testing? Will CWS charge each customer if such testing is conducted by CWS? Please clarify. What justification will be used by CWS to conduct the cross connection testing? What will be the consequences of a failed test?
- 1.3 List the specific standards and regulations set by DHEC and other governmental agencies which justify Carolina Water Service, Inc.'s rate increase request as stated on page 4, paragraph 11 of the application. Provide the itemized cost to Carolina Water Service, Inc. for each standard and regulation. Provide a description of how Carolina Water Service, Inc. will meet the standard and/or regulation.
- 1.4 Provide information on the following:
  - a. How many taps have been connected to the systems owned by Carolina Water Service, Inc. from inception of the system to the present?
  - b. How much revenue from tap fees has been collected from customers from the inception of the system to the present?
  - c. What is the maximum number of taps that can be installed on the present system?
  - d. How many taps were provided during 2000, 2001, 2002, 2003, and 2004?
  - e. How many taps do you anticipate making per year during the next five years?
  - f. What were the total costs expended for taps each year during 2000, 2001, 2002, 2003, and 2004?

- g. What were the total costs capitalized for taps for each year during 2000, 2001, 2002, 2003, and 2004?
  - h. Exhibit B, page 15, lists the number of projected customers for Carolina Water Service, Inc. What period is this for?
- 1.5 List the names and business titles of all people who provided information for preparation of the Application.
- 1.6 List the names and business titles of all people who provided information for preparation of the Application exhibits. Indicate who calculated the numbers for each exhibit and list the appropriate exhibit next to the individual's name.
- 1.7 List the number of residential and commercial customers as of July 1, 2003, June 30, 2004 and January 1, 2005.
- 1.8 What were officer and employee salaries in 2000, 2001, 2003, 2003, and 2004?
- 1.9 What is (are) the amount(s) of CWS's performance bond(s) currently on file with the Public Service Commission of South Carolina?
- 1.10 Is the state's tax credit for pollution control equipment being claimed by Carolina Water Service, Inc. during the test year for any construction activities? If so, what is the tax credit (or expected tax credit), and where is it included in the financial information submitted with the Application?
- 1.11 Is the state's tax credit for any construction or improvement of an infrastructure being claimed by Carolina Water Service, Inc.? If so, what is the tax credit (or the expected tax credit), and where is it included in the financial information submitted with the Application?
- 1.12 List employees employed at June 30, 2000, 2001, 2002, 2003, and 2004, including their position, date of hire, salary, hours worked per week, exempt/non-exempt status, and duties.
- 1.13 List state regulatory commission expenses for the fiscal year beginning July 1, 2004, including legal expenses and postage.
- 1.14 Provide the balance of Accrued Interest on Customer Deposits as of June 30, 2004.
- 1.15 Submit detailed working papers breaking down the test year revenue and the proposed revenue of Carolina Water Service, Inc. Include information about the source of the miscellaneous revenue.

- 1.16 Please provide details on Uncollectible Accounts at June 30, 2000, 2001, 2002, 2003 and 2004; and provide the calculation for the proposed Uncollectibles associated with the rate increase.
- 1.17 Provide a detailed breakdown for the "Salaries and Wages" category. List the employee's name, amount paid and to be paid to the employee, and the duty performed by the employee.
- 1.18 To what assets and in what amount does the Depreciation as shown on the Application, Exhibit B, pages 2-4 apply?
- 1.19 What expenses are included in "Outside Services – Other"?
- 1.20 Provide details and documentation regarding any DHEC fines. If there are any, for what reasons and in what amounts were the fines issued? Provide a copy of the orders dictating the fines. Does Carolina Water Service, Inc. have any outstanding noted violations by DHEC? If so, what are they and provide a copy of the documentation by DHEC that outlines these potential violations.
- 1.21 What expenses are included in the Transportation expenses? What type(s) of vehicles does this include?
- 1.22 What "land & land rights" listed in Exhibit B, page 8 and 10, does Carolina Water Service, Inc. own and where is it located? Indicate the years each was placed in service and its purchase price. Does this include the business office in Lexington County, South Carolina?
- 1.23 Subsequent to the last rate case, has there been any change in the ownership of Carolina Water Service, Inc.? If so, provide a listing of the owners of the Company. Was the change in ownership approved by the Commission? If so, please identify the docket in which the Commission addressed the change of ownership of the Company?
- 1.24 List by year the total number of bills issued to customers during the years 2000, 2001, 2002, 2003, and 2004.
- 1.25 Please provide a schedule showing the number of customers and the number of billing unites for each of the bill codes listed in the Application, Exhibit B, pages 11-14.
- 1.26 Please provide work papers for both water and sewer supporting the column labeled "Units" on the Application, Exhibit B, pages 11-14.
- 1.27 Provide a comparative statement and detailed work papers for expense categories and expenses by account number, including labor, for water, sewer, and combined

operations for the twelve month periods ending June 30 , 2000, 2001, 2002, 2003, and 2004.

- 1.28 Provide a comparative statement and detailed work papers for expense categories and expenses by account number, excluding labor, for water, sewer, and combined operations for the twelve month periods ending June 30, 2000, 2001, 2002, 2003, and 2004.
- 1.29 Please provide a comparative balance sheet at June 30, 2000, 2001, 2002, 2003 and 2004 similar to the balance sheet provided in the Application as Schedule A.
- 1.30 Please provide comparative schedules similar to the “per Books” column on Exhibit B to the Application, pages 2 (Combined Operations), 3 (Water Operations), and 4 (Sewer Operations) for the twelve months ended June 30, 2000, 2001, 2002, 2003 and 2004.
- 1.31 Provide a schedule showing when salaries of Carolina Water Service, Inc. employees are paid and pay stubs for three consecutive pay periods for officers and staff.
- 1.32 Provide a schedule detailing the amount of bonuses received by Carolina Water Service, Inc. officers, owners and employees during the test year.
- 1.33 Provide a depreciation schedule for all Carolina Water Service, Inc. plant and equipment.
- 1.34 Provide the complete general accounting ledger for the 2004 test year.
- 1.35 Provide a schedule showing the number of billing units served by Carolina Water Service, Inc. at June 30, 2004 for the following (treated by Carolina Water Service, Inc. versus pass-thru.):
  - a. Residential (single family/apartments)
  - b. Mobile Base
  - c. Car Washes
  - d. Churches
  - e. Factories (separated by those with no showers, with showers, and with kitchen facilities)
  - f. Food Services Operations (separated by those that are not 24-hour restaurants, are 24-hour restaurants, provide curb-side service, serve fast-food, and are a vending machine restaurant)
  - g. Institutions
  - h. Motels/Hotels
  - i. Nursing Homes (separated by those that do and do not provide laundry services)
  - j. Laundries
  - k. Offices

- l. Picnic Parks
  - m. Assisted Living Homes (separated by those that do and do not provide laundry services)
  - n. Schools
  - o. Service Stations (separated by those with bays and without bays)
  - p. Shopping Centers
  - q. Swimming Pools
  - r. Theaters
  - s. Country Clubs, Fitness Centers, Spas, Health Clubs, and similar entities.
  - t. Convenience Store
  - u. All remaining customers not listed above
- 1.36 Provide all work papers, documents, plats, maps, recordings or other items used to prepare the Application and its attached Exhibits.
- 1.37 Provide all federal and state income tax returns signed and filed by Carolina Water Service, Inc. for tax years 2000, 2001, 2002 2003, and 2004. This request includes all supporting schedules and documents, such as 1099s, and the like, whether filed or not.
- 1.38 Provide a copy of all contract terms and conditions for water providers and wastewater disposal with treatment providers.

**The following questions reference Exhibit B of the Application.**

- 1.39 Provide detailed work papers for all proposed accounting and pro forma adjustments for revenue, expenses, and rate base on Schedules B and C.
- 1.40 Provide a copy of Water Service Corporation's Distribution of Expenses Report used to allocate expenses for the test year.
- 1.41 Provide a copy of the most recent consolidated financial statements for Utilities, Inc. and Affiliated Companies.

**Schedule A**

- 1.42 Provide details for the Plant Acquisition Adjustment for water and sewer of (\$217,337) and (\$265,382) respectively.
- 1.43 Provide a summary of Construction Work in Progress (CWIP) for the test year for water and sewer operations of \$2,401 and \$431,762 respectively. Details should at a minimum include name of project, total amount of project, amount expended to date, date project commenced and projected in-service date.
- 1.44 Provide a listing of Accounts Payable to Associated Companies of \$3,279,453.

- 1.45 Provide details on Contributions In Aid of Construction for water and sewer of \$4, 470, 535 and \$10, 724, 811 respectively.
- 1.46 Please provide details on the Accumulated Deferred Income Tax category listed in Exhibit B, Schedule A at page 1.

Schedule B

- 1.47 Provide the details for Purchased water and sewer for the test year.
- 1.48 Explain the Operating Expenses Charged to Plant for water and sewer operations of (\$267,522) and provide details for the amount.
- 1.49 Provide a break down of the per book insurance amount for water and sewer operations of \$149,328.
- 1.50 Provide the details of Miscellaneous Expenses of \$48,378.
- 1.51 Provide the Company's calculation of per book Depreciation Expense using plant categories and approved depreciation rates.
- 1.52 Provide the Company's computation for per book Federal and State Income Taxes.
- 1.53 Provide the details for the per book Amortization of ITC and Amortization of CIAC.
- 1.54 Provide the computation of Interest During Construction of (\$17,756).
- 1.55 Provide a schedule of Long-Term Debt and Interest Expense on Long Term Debt for the test year. Provide computations and work papers supporting the 59.23%/40.77% debt/equity ratio and cost of debt of 7.28%.
- 1.56 Please provide a schedule detailing rate case expenses to date.
- 1.57 Please explain the reason for the income statement adjustment (i) concerning AFUDC elimination.
- 1.58 Please provide a schedule of the breakdown between AFUDC included in the test year on projects now in service and those still under construction.
- 1.59 Please provide a schedule showing actual chemical expenses for the twelve months ended June 30, 2000, 2001, 2002, 2003 and 2004.
- 1.60 Please provide a detailed schedule of all expenses allocated to Utilities, Inc. for the twelve months ended June 30, 2000, 2001, 2002, 2003 and 2004. Explain in detail how these expenses are allocated.

- 1.61 Please provide the amount of water pumped, purchased, and sold by the company for the twelve months ended June 30, 2000, 2001, 2002, 2003 and 2004.
- 1.62 Please provide the number of gallons of water treated for the twelve months ended June 30, 2000, 2001, 2002, 2003 and 2004.
- 1.63 Please provide work papers detailing cost of debt, cost of equity, and return on rate base set forth in the Application.


Schedule C

- 1.64 Provide records showing plant investment by categories totaling per book Gross Plant in Service of \$37,107,047.
- 1.65 Provide a schedule of the Company's computation of Cash Working Capital.
- 1.66 Does the Company bill customers in advance or in arrears? If any customers are billed in advance, please provide a list of customers.
- 1.67 Provide details of the Water Service Corporation's Rate Base amount of \$130,433.
- 1.68 Please provide the balance for Accumulated Deferred Income Taxes at June 30, 2000, 2001, 2002, 2003 and 2004.
- 1.69 Provide a schedule detailing all deferred expenses included in the test year for water and sewer operations. Detail should at least include reason for deferral, total amount, amount being deferred, initiation date of deferral, ending date of deferral, and date and docket number of approval of deferral.
- 1.70 Since the Company's last rate case in Docket No. 2000-207-W/S, please identify any and all of the Company's systems that have converted from water supplied by Company-operated wells to bulk service from another supplier.
- 1.71 For each system identified above in response to 1.70, provide a detailed breakdown of the net book value of the plant and other costs associated with providing service from Company-operated wells prior to the conversion.
- 1.72 Since the Company's last rate case in Docket No. 2000-207-W/S, please identify any and all of the Company's systems that have converted from sewer service supplied by Company-operated treatment facilities to bulk treatment service from another supplier.
- 1.73 For each system identified above in response to 1.72, provide a detailed breakdown of the net book value of the utility plant and other costs associated with

providing service from Company-operated treatment facilities prior to the conversion.

- 1.74 Provide a list of Carolina Water Service, Inc.'s senior management.
- 1.75 Provide a listing of Utilities, Inc.'s regulated and non-regulated subsidiaries.
- 1.76 What are the Company's policies and procedures regarding bonuses for employees of Carolina Water Service, Inc. and Water Service Corporation? What are the Company's policies and procedures regarding bonuses for senior management and officers of Carolina Water Service, Inc. and Water Service Corporation?
- 1.77 Does the company have any written guidelines for inspecting its systems and/or performing maintenance on its systems? If so, please provide guidelines.

February 23<sup>rd</sup>, 2005

  
\_\_\_\_\_  
Florence P. Belser, Esquire  
C. Lessie Hammonds, Esquire  
**Office of Regulatory Staff**  
P.O. Box 11263  
Columbia, South Carolina 29211

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2004-357-W/S**

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SC PUBLIC SERVICE  
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IN RE: Application of Carolina Water )  
Service, Inc. for adjustment of rates )  
and charges and modification of )  
certain terms and conditions for the )  
provision of water and sewer )  
services. )  
\_\_\_\_\_ )

**CERTIFICATE OF SERVICE**

This is to certify that I, Cindy Clary, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the Office of Regulatory Staff's First Continuing Data Request in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

John M.S. Hoefer, P.A.  
**Willoughby & Hoefer, P.A.**  
P. O. Box 8416  
Columbia, South Carolina 29202-8416

  
Cindy Clary

February 23, 2005  
Columbia, South Carolina